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NATIONAL DOLLAR TOUCHES FIVEPENCE: YEN FOLLOWS SUIT ON SHANGHAI MART

Temporary Withdrawal Of Stabilization Fund Is Cause Of Sudden Fall

When the Shanghai branch of the Hongkong and Shanghai Banking Corporation opened its doors yesterday morning, would-be buyers of sterling were told that purchases of Chinese national currency were temporarily suspended. This signalled the withdrawal from the market, for the second time since its creation, of the Anglo-Chinese Exchange Equalization Fund, which has the function of maintaining the value of the Chinese dollar.

As a result, says Reuter, the value of the dollar on the Shanghai market slumped from 6-9/16d. to 5-1/4d. The previous withdrawal of the fund a few weeks ago had brought the level down from 8d. to the neighbourhood of 6-1/2d.

The Shanghai value of the Japanese Yen immediately fell to the same figure, the two currencies continuing at par.

China, with her foreign trade needs increasingly met by barter agreements and her internal price level remarkably stable, has little to fear from the fall of the external quotations in her currency. With large quantities of Chinese notes in Japanese hands, such a fall is even beneficial, since it prevents the enemy from converting his holdings into sterling at a profitable rate.

The fall of the Yen, on the other hand, indicates that this currency is incapable of standing on its own feet. It is a severe blow to Japan, which lives on imported raw materials.

NOT UNEXPECTED

SHANGHAI, July 18 (Reuter)—While the step was not entirely unexpected and financial circles, as a consequence, are not as demoralised as might have been expected, the general public, foreign and Chinese alike, has been caught unawares and is seriously perturbed at the prospect of a further sharp increase in the cost of living.

The markets recovered their composure after the initial shock, and within half an hour, sterling

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London Is Confident

BRITISH HOLDERS KEEP DOLLARS

LONDON, July 18 (Reuter)—Today's sharp fall of the Chinese dollar, which is believed to be immediately attributable to the suspension of sterling sales by the Anglo-Chinese Stabilization Fund, has caused business in Chinese dollars on the London exchanges to come to a virtual standstill.

British holders of Chinese funds generally feel that it is most desirable to leave them in China at present and hope for eventual improvement in the rate which will prevent heavy losses on exchange.

The banks stress their unwillingness to assist in bear speculation against Chinese currency from this end, especially since such action will impose a further strain on the equalisation fund. The banks here maintain that they are unjustified in taking any risks on overnight fluctuations by purchasing Chinese dollars in large amounts, hence only the smallest occasional transactions are being made.

Generally speaking, both Chinese and British financiers are mystified by the latest slump, although it is generally admitted that the Chinese dollar must be allowed to find its own level.

What such a level will be is, however, a matter of speculation depending on the political and economic course of the "China Incident."

Without Reply

SOVIET RETURN JAPANESE NOTE

MOSCOW, July 18 (Reuter)—The Soviet Government has returned the Japanese Note without reply.

The Note contained a number of questions regarding Sakhalin the answers to which Japan insisted be given within 24 hours.

A Soviet official stated that Russia cannot accept the Note which contains threats.

The Japanese allege that their oil and coal fields have been constantly attacked by the Soviet.

The number of wireless licences in Britain has passed the 8,000,000 mark which is 371,000 more than the figure a year ago, says a Reuter message from London.

Mischiefous Influence Of Craigie Talks

Interviewed by Chinese press representatives, Chinese bankers in Hongkong expressed apprehension lest the Anglo-Japanese negotiations in Tokyo contribute to the wavering of confidence in Chinese currency.

They may already have had something to do with the initial decline.

It is noteworthy in this connection that withdrawals of deposits from Chinese banks in Shanghai began some time ago when Britain showed signs of willingness to compromise on the concession in Tientsin, on whose territory lie \$50,000,000 of China's silver reserves.

On July 13, a financial leader on Chungking issued through Central News, a statement advising Chinese businessmen in Shanghai to refrain from transferring their deposits in the interests of the war of resistance.

100,000

CHINESE TROOPS CROSS THE YELLOW RIVER

Japanese Onslaught Held Up: Bitter Fighting Now In Progress

SHANGHAI, JULY 18 (REUTER)—MORE THAN 100,000 CHINESE TROOPS ARE REPORTED TO BE CROSSING THE YELLOW RIVER INTO SOUTHEASTERN SHANSI IN AN ATTEMPT TO PREVENT THE ENCIRCLEMENT OF THE CHINESE TROOPS IN TATUNG MOUNTAINS BY THE JAPANESE FORCES. BITTER FIGHTING IS NOW IN PROGRESS.

IT IS REPORTED THAT THE CHINESE ARE SUCCESSFULLY HOLDING UP THE JAPANESE ONSLAUGHT AND IT IS CLAIMED THAT 3,000 JAPANESE WERE KILLED IN THE PAST WEEK.

IN THE MEANWHILE, CHINESE DESPATCHES DECLARE THAT THE JAPANESE ARE PLANNING A BIG OFFENSIVE IN CENTRAL CHINA BEFORE THE END OF JULY AND IT IS ASSERTED THAT FIVE JAPANESE DIVISIONS ARE PREPARING FOR A MOVE AGAINST THE YANGTZE PORT OF Ichang, WHILE THREE DIVISIONS INTEND TO STRUT ACROSS KIANGSI PROVINCE TOWARDS CHANGSHA, THE CAPITAL OF HUNAN PROVINCE.

IT IS PREDICTED THAT ALTOGETHER MORE THAN 400,000 JAPANESE TROOPS WILL BE ENGAGED.

Chaochow Regained

CHUNGKING, July 18 (REUTER)—CHINESE TROOPS RECAPTURED CHAOCHOW, THE NORTHERN TERMINUS OF THE SWATOW-CHAOCHOW RAILWAY, YESTERDAY MORNING ACCORDING TO A MILITARY TELEPHONE MESSAGE FROM THE KWANGTUNG FRONT WHICH STATED THAT THE ATTACK ON THE TOWN WAS LAUNCHED IN THE COURSE OF AN OFFENSIVE ALONG THE ENTIRE RAILWAY.

THE ASSAULT WAS MADE ON THE NIGHT OF JULY 16 AND BY MIDNIGHT THE CHINESE TROOPS HAD REACHED THE CITY WALL FROM THREE DIRECTIONS THUS COMPLETING THE ENCIRCLEMENT OF THE TOWN. THE JAPANESE GARRISON, ENTRANCED BEHIND STRONG DEFENCE WORKS, RESISTED THE CHINESE ATTACKS, WHICH WERE MADE UNDER HEAVY ARTILLERY FIRE.

THE CITY FELL AT 5 A.M.

SHORTLY AFTER DAWN ON MONDAY, WHEN CHINESE TROOPS FOUGHT THEIR WAY THROUGH THE NORTHERN GATE.

THE CHINESE STARTED A GREEN

COUNTER-ATTACK ON THE CITY ON SUNDAY NIGHT. CLOSING IN FROM THREE DIRECTIONS, THEY ENGAGED IN HEAVY FIGHTING WITH SOME 2,000 JAPANESE WHO OFFERED STUBBORN RESISTANCE BEHIND THEIR STRONG DEFENCES.

STEADILY PRESSING BACK THE ENEMY, THE CHINESE BROKE INTO THE CITY BY THE NORTHERN GATE AT 5 A.M. YESTERDAY. BLOODY STREET FIGHTING ENDED. CHINESE PLAIN-CLOTHES GUERRILLAS, WHO HAD FILTERED INTO THE CITY BEFOREHAND, AS WELL AS ARMED CHINESE VOLUNTEERS, ASSISTED. HUGE FIRES WERE STARTED, RAISING ROWS OF HOUSES TO THE GROUND.

UNABLE TO WITHSTAND THE FIERCE CHINESE ONSLAUGHT, THE JAPANESE RETREATED BY THE SOUTH GATE.

AMPONG, LUNGWU, LINCHOW, POW-

PUYUENG, AND OTHER POINTS ALONG THE CHAOCHOW-SWATOW HAVE ALSO BEEN RECOVERED BY THE CHINESE.

THE SITUATION AT CHUNGKING IS REPORTEDLY QUIET. THE JAPANESE WARSHIPS ANCHORED OFF CHUKCHOW AND MATUN IN THE DISTRICT OF SUN-

VU HAVE DEPARTED.

FIERCE FIGHTING

TUNGKWAN, July 18 (CENTRAL)

SANGUINARY FIGHTING HAS BEEN RAGING AROUND CHANGHILH AND KAOPENG, IN SOUTHEAST SHANSI, DURING THE PAST FEW DAYS.

THE JAPANESE HAVE BROUGHT THEIR ARTILLERY AND PLANES INTO ACTION,

HURLING TONS OF EXPLOSIVES ON THE CHINESE POSITIONS. OWING TO THE CHINESE POSITION, THEY HAVE BEEN AVOIDING THE LIFTING OF THE BLOCKADE.

HITHERTO, THE CHINESE POPULATION

DOES NOT APPEAR TO HAVE BEEN ROUSED FROM ITS APATHY.

IT IS RELIABLY REPORTED, HOWEVER, THAT THE SERVANTS OF BRITONS IN TIENTSIN HAVE BEEN QUESTIONED BY INTERESTED PARTIES WHO ARE BELIEVED TO BE TRYING TO INDUCE THEM TO LEAVE THE JOBS.

IN TIENTSIN

THE SITUATION IN TIENTSIN IS MORE OR LESS HANGING FIRE PENDING THE OUTCOME OF THE TOKYO PARLEY.

WHILE THERE HAVE BEEN NO FURTHER

"STRIP TEASE" ACTS, FIVE BRITONS EMPLOYED BY THE BRITISH AMERICA TOBACCO COMPANY HAD TO WAIT FOR TWO HOURS IN A QUEUE YESTERDAY BEFORE BEING ALLOWED INTO THE BRITISH CONCESSION.

IT IS LEARNED THAT THE BRITISH CONSUL-GENERAL MR. E. H. JAMESON, MET HIS JAPANESE COLLEAGUE

AND URGED HIM TO TAKE STEPS

TO ENSURE THE SPEEDY PASSAGE OF MILK SUPPLIES THROUGH THE BARRIER

ONCE AGAIN.

A THOUSAND BOTTLES OF MILK WERE

ALLOWED INTO THE BRITISH CONCESSION

YESTERDAY, BUT THE LONG DELAY UNDER

THE POWERFUL SUN CAUSED THE CON-

TENTS TO SPOIL.

Campbell Death Remains A Mystery: Lawyer On Difficulty Confronting Jury: Verdict At Kowloon Court Inquiry

"THE CIRCUMSTANCES UNDER WHICH MR. CAMPBELL MET HIS DEATH WILL REMAIN AN INSOLUBLE MYSTERY FOR EVERYBODY IN HONGKONG TO DECIDE ON TO THE DICTATES OF THEIR OWN IMAGINATION. YOU, GENTLEMEN OF THE JURY, MUST NOT DECIDE THIS MATTER ON IMAGINATION, BUT YOU SHOULD FORM YOUR OPINION ON THE STRENGTH OF EVIDENCE YOU HAVE HEARD IN THIS COURT."

WITH THIS ADDRESS TO THE JURY BY THE CORONER, MR. E. HINSMORTH, THE INQUIRY WAS CONCLUDED AT KOWLOON COURT YESTERDAY AFTERNOON INTO CIRCUMSTANCES SURROUNDING THE DEATH OF JOSEPH HOWARD CAMPBELL, AN AMERICAN, WHO WAS FOUND BY AN INDIAN CONSTABLE LYING IN THE STREET OUTSIDE THE TROCADERO HOTEL IN PEKING ROAD, KOWLOON, AT 5.15 A.M. ON SUNDAY, JUNE 11, UNCONSCIOUS AND ON THE POINT OF DEATH.

THE JURY, COMPRISING MESSRS. E. E. DOS REMEDIOS (FOREMAN), KAI WING-YEUNG, AND D. L. D'AQUINO, RETIRED TO DELIBERATE FOR ABOUT 10 MINUTES, RETURNING WITH A VERDICT OF DEATH FROM MULTIPLE INJURIES, CAUSE UNKNOWN.

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PUPPETS GET SIX LAKHS TO CREATE TROUBLE IN SETTLEMENT

CHINESE PRESS REPORTS FROM SHANGHAI STATE THAT THE PLANS LAID BY WANG CHING-WEI AND HIS JAPANESE MASTERS FOR A "CENTRAL" PUPPET GOVERNMENT HAVE AGAIN HIT A SNAG. ORIGINALLY SET FOR JULY 7, THEN POSTPONED TO AUGUST 13, THE BIRTH OF THIS REGIME IS NOW FIXED FOR OCTOBER 10.

BY THAT TIME, THE JAPANESE HOPE, PRESENT DIFFICULTIES WILL HAVE BEEN IRONED OUT.

INCLUDED IN THE SCHEME OF GOVERNMENT-MAKING IS THE CALLING OF A PUPPET "NATIONAL CONGRESS."

IN THE MEANTIME, WANG'S AGENTS HAVE BEEN PROVIDED WITH \$800,000 EACH TO BUY OVER THE CORRUPT LEADERS OF CERTAIN SHANGHAI LABOUR UNIONS

FORMAL EVIDENCE WAS HEARD FROM DR. TAI HON-HONG IN REGARD TO THE POST-MORTEM, MR. V. C. BRANSON, GOVERNMENT ANALYST, IN REGARD TO DUST EMBEDDED IN THE TOE OF THE DECEASED'S RIGHT SHOE, AND FROM MR. R. H. J. BROOKS, ASSISTANT STATION OFFICER OF THE KOWLOON FIRE-BRIGADE, IN REGARD TO MEASUREMENTS TAKEN OF SCRAPER-MARKS ON THE WALL OF THE HOTEL.

(CONTINUED ON BACK PAGE)

THE DOLLAR

ON T.T. LONDON: 1s. 21/16d.

ON T.T. NEW YORK: 2s. 5/8.

FROM OUR OWN CORRESPONDENT

LONDON, July 18.

LONDON SILVER PRICES TO-DAY WERE

UNCHANGED AS FOLLOWS:

JULY 17 JULY 18

SPOT 16-3/4 18-3/4

FORWARD 16-3/16 18-3/16

July 17 July 18

SPOT 16-3/4 18-3/4

FORWARD 16-3/16 18-3/16

July 17 July 18

SPOT 16-3/4 18-3/4

FORWARD 16-3/16 18-3/16

July 17 July 18

SPOT 16-3/4 18-3/4